

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Public Works	(2) MEETING DATE 12/16/2014	(3) CONTACT/PHONE Will Clemens, Department Administrator (805) 781-5299	
(4) SUBJECT Introduction of an Ordinance amending water service charges in San Luis Obispo County Service Area No. 16, Shandon Water System, Shandon. Hearing date set for February 3, 2015. District 1.			
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> 1. Introduce the attached Ordinance, which amends the Water Service Charges in County Service Area No. 16; and 2. Schedule a Public Hearing for February 3, 2015, to consider the attached Ordinance and consider all valid protests to the proposed increase in water service charges; and 3. Direct the Director of Public Works, or his designee, to mail notice of the public hearing in accordance with Article XIID of the California Constitution and the Proposition 218 Omnibus Implementation Act (commencing with Section 53750 of the California Government Code). 			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____) <input type="checkbox"/> Board Business (Time Est. ____)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input checked="" type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) District 1			

Reference: 14DEC16-C-6

County of San Luis Obispo



TO: Board of Supervisors

FROM: Public Works
Will Clemens, Department Administrator

VIA: Dave Flynn, Deputy Director of Public Works

DATE: 12/16/2014

SUBJECT: Introduction of an Ordinance amending water service charges in San Luis Obispo County Service Area No. 16, Shandon Water System, Shandon. Hearing date set for February 3, 2015. District 1.

RECOMMENDATION

It is recommended that the Board:

1. Introduce the attached Ordinance, which amends the Water Service Charges in County Service Area No. 16; and
2. Schedule a Public Hearing for February 3, 2015, to consider the attached Ordinance and consider all valid protests to the proposed increase in water service charges; and
3. Direct the Director of Public Works, or his designee, to mail notice of the public hearing in accordance with Article XIID of the California Constitution and the Proposition 218 Omnibus Implementation Act (commencing with Section 53750 of the California Government Code).

DISCUSSION

It is necessary to amend service charges for the County operated Shandon water system to provide adequate funding for existing operations and maintenance. The current average monthly water bill for residential customers is \$43.80. The proposed rate adjustment would raise the monthly average to \$58.69, a 34% increase. Annually thereafter, rates would increase based on increases in the Consumer Price Index. The last water rate increase in Shandon was twenty years ago in 1994. Growth in service connections and CSA 16 reserve balance have provided revenue sufficient for operations in the past decade but cannot sustain operations into the future. The attached "County Service Area 16 – Shandon Water Rate Analysis" provides a more detailed analysis of the need for the increase.

Water bills are computed on a bi-monthly basis (every other month). The charge for water is based on the amount of water used, measured in hundred cubic feet. This is abbreviated as CCF. One CCF equals 748 gallons. The following table illustrates the proposed rate change to the Basic Bi-Monthly Charge for Water Service:

Basic Bi-Monthly Charge for Water Service						
Level	Allowable Quantity		Current Rate		Proposed Rate	
	Current	Proposed				
1	0 CCF to 10 CCF*		\$50 Minimum Charge	\$25.00 Monthly Equivalent	\$67.00 Minimum Charge	\$33.50 Monthly Equivalent
2	11 CCF to 63 CCF	11 CCF to 16 CCF	\$3.00 Per CCF		\$4.02 Per CCF	
3	Greater than 63 CCF	Greater than 16 CCF	\$4.00 Per CCF		\$5.36 Per CCF	
* (CCF is Hundred Cubic Feet or 748 gallons)						
All rates above shall be adjusted annually every January 1 st by the average of the percentage increases in the Consumer Price Index ("CPI") for "All Urban Wage Earners and Clerical Workers" for all items for San Francisco/Oakland/San Jose and Los Angeles/Riverside/Orange Co. categories as published by the Bureau of Labor Statistics in October of each year with the allowable water quantities remaining unchanged.						

As indicated in Table 2 of the attached Water Rate Analysis, revenues derived from the water rates and charges will not exceed the funds required to provide water service, or be used for any other purpose. In addition, all customers within each customer class have the same rate structure to ensure rates will not exceed the proportional cost of providing water to each customer. These charges will not be imposed unless water service is actually used by, or immediately available to, the property.

OTHER AGENCY INVOLVEMENT/IMPACT

County Counsel has reviewed the subject Ordinance and approved as to legal form and effect. The County Clerk receives written protests and tallies them at the Public Hearing. The Shandon Advisory Committee has participated in discussions on the need for the rate increase and provided input on the structure of the rate increase.

FINANCIAL CONSIDERATIONS

The recommended changes to the Basic Bi-Monthly Charge for Water Service represent an increase of \$29.78 (\$14.89 per month). The adjustment will generate additional revenues of approximately \$61,000 per year. This adjustment is required to cover the cost of ongoing operations and maintenance expenditures given the reduced water consumption in the community due to the drought and conservation efforts. The increase is also needed to fund increased costs related to the delivery of State Water to Shandon.

The recommended annual adjustment of all rates based on the Consumer Price Index will ensure sufficient revenues are generated to offset annual inflationary increases in expenditures. Additionally, the allowable quantities of water for tier levels 2 and 3 are being adjusted to further encourage water conservation and to bring them in line with other County operated water systems in the North County.

A survey was mailed to the community to determine whether a large initial rate increase with smaller inflationary increases thereafter or a smaller phased increase over a longer period was preferable. The survey indicated the larger initial increase was the preferred option by 75% of the respondents. This option results in lower rates over the long term.

CSA 16 has access to 100 AFY of State Water and is in the process of constructing a turnout to utilize this supply in 2015. These improvements are funded under existing CSA 16 reserve balance and not dependent on this rate increase.

RESULTS

Adjusting water rates in CSA 16 will ensure sufficient revenue needed for operations and maintenance, which will contribute to a safe, healthy, livable, and well-governed community in Shandon.

File: CF 320.520.06

Reference: 14DEC16-C-6

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ATTACHMENTS

1. Vicinity Map
2. County Service Area 16 - Shandon Water Analysis
3. Ordinance Establishing Water Service Charges for San Luis Obispo County Service Area 16 Shandon